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TRANSITION TO AN OPEN ECONOMY: AN ANALYSIS OF VIETNAM'S EXPORT PERFORMANCE 1986 – 2000

A thesis presented in partial fulfilment of the requirements for
the degree of Master of Business Studies in Economics
at Massey University, Palmerston North, New Zealand.

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2002

Statement of Sources

The work presented in this thesis is the original and independent work of the author, except where otherwise stated or acknowledged. No part of this work has been previously submitted to this, or any other university, for the attainment of a formal qualification.

A handwritten signature in black ink, appearing to read 'Minh Thu To', with a stylized flourish at the end.

Minh Thu To
January 2002

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Abstract

External reform is a large component of Vietnam's overall transition to a market-based economy which officially started in 1986. This study analytically and empirically examines Vietnam's export performance from 1986 to 2000.

The spectacular growth in both exports and imports and significant changes in Vietnam's export composition and market structure since 1986 are delineated. Exports, as a demand source, are found to contribute an increasing part of the overall output growth. Vietnam's changing Revealed Comparative Advantage (RCA) indicates a move toward manufactured exports. Increased diversification is apparent within Vietnam's export destinations, but less diversification is evident in its export composition.

A Constant-Market-Share (CMS) analysis of the sources of non-oil export growth over the period 1985-1999 shows that Vietnam's exports concentrated on commodities with import demands growing more slowly than the average of all commodities. From 1985 to 1995, Vietnam's exports benefited from increasing penetration into relatively fast growing Asian markets, but the Asian crisis of 1999 effectively derailed Vietnam's export expansion. Inability to adapt export composition and market structure to changes in world conditions affected Vietnam's increasing share in world exports. Vietnam's increased competitiveness, as reflected in the micro-share effects, is found to be the key to observed export growth, representing 118 percent of the total gain in market share from 1985 to 1999.

The study further tested observed composition of manufactured exports to three selected groups of Vietnam's trading partners – the world, the OECD and the Asian developing countries – in the light of the Ricardian and the Heckscher-Ohlin theories. Empirical results provide no evidence that manufactured exports to any of these three groups of trading partners is positively correlated with labour productivity. The Heckscher-Ohlin contention that Vietnam should export relatively labour-intensive goods is supported by the pattern of Vietnam's manufactured exports to the OECD and the world, but not confirmed by its pattern of manufactured exports to the Asian developing countries.

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List of Abbreviations

ADB	Asian Development Bank
AFTA	Asean Free Trade Area
ANZ	Australia and New Zealand
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CAE	Commodity Adjustment Effect
CCE	Commodity Composition Effect
CEPT	Common Effective Preferential Tariff
CIE	Centre for International Economics
CIEM	Central Institute for Economic Management
CMEA	Council for Mutual Economic Assistance
CMS	Constant-Market-Shares
CMT	Cut-Made-Trim
DMRT	Domestic Marginal Rate of Transformation
EN	Equivalent Number
EU	The European Union
FAO	Food and Agriculture Organisation of the United Nations
FDI	Foreign Direct Investment
FMRT	Foreign Marginal Rate of Transformation
GDP	Gross Domestic Products
GLS	Generalised Least Square
GSO	General Statistics Office
H-O	Heckscher-Ohlin
IMF	International Monetary Fund
LSDV	Least Square Dummy Variable
MAE	Market Adjustment Effect
MARD	Ministry of Agriculture and Rural Development
MCE	Market Composition Effect
MOT	Ministry of Trade
MPI	Ministry of Planning and Investment

MSE	Micro-Share Effect
NAPES	National Asia Pacific Economic And Scientific
NICs	Newly Industrialised Countries
OECD	Organisation For Economic Cooperation and Development
OLS	Ordinary Least Square
QR	Quantitative Restriction
RCA	Revealed Comparative Advantage
ROW	The Rest of The World
SBV	State Bank of Vietnam
SITC	Standard International Trade Classification
UK	The United Kingdom
UNCTAD	United Nations Commission for Trade and Development
UNIDO	United Nations Industrial Development Organisation
UNDP	United Nations Development Programme
UNDP	United Nations Development Programme
US	The United States of America
WTO	World Trade Organisation